

## ENGAGEMENT AGREEMENT CHECKLIST

A written engagement letter is required on all assurance engagements of Louisiana governments or quasi-public entities. The engagements are subject to approval by the legislative auditor.

The legislative auditor will not approve an engagement when:

1. The auditor is not a certified public accountant licensed to practice in Louisiana.
2. The engagement was completed, or substantial portions of the field work were completed, prior to the submission of the engagement letter or fax approval form for approval by the legislative auditor.
3. The auditor has several approved engagements that are delinquent or the auditor has a history of failing to complete engagements within the timeframe specified by law.
4. The legislative auditor has been advised by the Louisiana State Board of CPAs that the auditor's license to practice in Louisiana has been suspended, revoked or is under investigation.
5. The legislative auditor, as a result of his engagement review or that of another regulatory entity, has determined that the CPA has issued substandard reports on a Louisiana governmental unit or quasi-public entity without appropriate remedy.
6. The CPA has a record of failing to follow the state audit law or the provisions of the Louisiana Governmental Audit Guide, or has failed to comply with the terms of a current or prior engagement agreement.
7. The legislative auditor has currently or previously supplied the independent public accountant with allegations concerning a client and the firm has refused to determine the validity of the allegations, inadequately determined the validity of the allegations, or failed to report the results of the allegation determination.
8. The CPA fails to provide the legislative auditor with copies of working documentation, copies of any quality review, to include any letter of comments, or copies of any other information requested by the legislative auditor within 5 working days of the formal request.
9. The CPA fails to cooperate with the Legislative Audit Advisory Council or with a state or local law enforcement official duly charged to investigate and prosecute findings contained within reports.
10. When, in the sole opinion of the legislative auditor, the CPA is not perceived to be independent.
11. When prior engagement and/or other professional fees are owed by the client to the CPA are delinquent, have not been paid as of the date of the engagement letter, and it is reasonably possible that these amounts will not be paid as of the close of field work. (The focus of this provision is not amounts that are billed and paid in the ordinary course of business, but amounts that are likely to remain unpaid and delay the timely issuance of the report.)
12. When the legislative auditor has suspended or debarred the CPA firm.
13. When, at the discretion of the Legislative Auditor, it is in the best interest of the State of Louisiana and the audit process to disapprove the engagement.

The written engagement agreement must conform to the following:

1. The engagement agreement must be signed by an appropriate entity official and a representative of the CPA firm.
2. The engagement agreement must anticipate an examination of all funds and accounts of a legal entity, to include owned affiliates and joint ventures (separately issued audits of affiliates and joint ventures will comply with this requirement).
3. The engagement agreement must specify that the audit will be performed in compliance with generally accepted governmental auditing standards (the *Government Auditing Standards*, issued by the General Accounting Office) and/or, where applicable, Public Law 98-502, the *Single Audit Act*, and OMB Circular A-133. (The agreement should refer to the single audit guidance and requirements or state that there are no federal funds.) Compilation/attestation engagements shall be performed under *Statements on Standards for Accounting and Review Services*, *Statements on Standards for Attestation Engagements*, and applicable provisions of *Government Auditing Standards*.
4. The engagement agreement must specify that the legislative auditor shall be immediately informed in writing of any illegal or fraudulent acts.
5. The engagement agreement must specify that working documentation of the CPA shall be available for inspection by the legislative auditor, any state or federal grantor, any state or federal cognizant agency, any successor auditor, and/or any organization authorized by the Louisiana State Board of Certified Public Accountants to perform working documentation reviews as part of a quality assurance program.
6. The engagement agreement must name an individual of the CPA firm and a representative of the entity as contact persons to respond to inquiries concerning the engagement.
7. The engagement agreement must state a completion date that is within six months of the close of the entity's fiscal year.
8. The engagement agreement must state that the CPA will notify the legislative auditor in writing of any client imposed scope restrictions, to include denial of access to appropriate books and records or failure to provide the books and records in a timely manner.
9. The engagement agreement must specify that the legislative auditor will be notified in writing if the CPA decides to withdraw from the engagement or if the engagement is cancelled. The notification must include all substantive reasons for the withdrawal or cancellation.
10. For governmental entities, the engagement agreement must specify that, where applicable, there shall be a reporting, either by notes or separate schedule, of amounts paid members of the governing board for compensation or per diem. (If this clause is omitted, the agreement should state that no compensation or per diem has been paid.)
11. The engagement agreement must state that the CPA shall send a copy of the reporting package, to include any management letter and management's plan of corrective action, to the entity, to the National Clearinghouse for Single Audits (for single audits only), and to the legislative auditor (one single-sided, unbound copy). A suggested alternative is to send the legislative auditor an electronic copy of the reporting package and an electronic copy of the data collection form, using .pdf files or .tif files.
12. The engagement agreement must specify that the client or auditor shall send a copy of the reporting package, and any management letter, to each member of the governing

board, to each federal grantor agency providing direct federal assistance for which there are findings and the federal cognizant agency, and to each state grantor agency and the state cognizant agency, if applicable.

13. The engagement letter must specify that, subsequent to the issuance of the report, should it be necessary to alter or reissue the report (s) and any management letter, the reissued report (s) or management letter will be distributed in the same manner as the original report.
14. The engagement agreement must specify that the working documentation shall be retained by the CPA for a minimum of three years.
15. The engagement agreement must specify the communications required in paragraphs 5.6, 5.7, 5.8, 5.9 and 5.10 of *Government Auditing Standards*.